

final determination will serve to decide when the hearing is held.

If the final determination is that the amendment request involves no significant hazards consideration, the Commission may issue the amendment and make it immediately effective, notwithstanding the request for a hearing. Any hearing held would take place after issuance of the amendment.

If the final determination is that the amendment request involves a significant hazards consideration, any hearing held would take place before the issuance of any amendment.

Normally, the Commission will not issue the amendment until the expiration of the 30-day notice period. However, should circumstances change during the notice period such that failure to act in a timely way would result, for example, in derating or shutdown of the facility, the Commission may issue the license amendment before the expiration of the 30-day notice period, provided that its final determination is that the amendment involves no significant hazards consideration. The final determination will consider all public and State comments received. Should the Commission take this action, it will publish in the **Federal Register** a notice of issuance and provide for opportunity for a hearing after issuance. The Commission expects that the need to take this action will occur very infrequently.

A request for a hearing or a petition for leave to intervene must be filed with the Secretary of the Commission, U.S. Nuclear Regulatory Commission, Washington, DC 20555, Attention: Docketing and Services Branch, or may be delivered to the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC 20555, by the above date. Where petitions are filed during the last ten (10) days of the notice period, it is requested that the petitioner promptly so inform the Commission by a toll-free telephone call to Western Union at 1-(800) 325-6000 (in Missouri 1-(800) 342-6700). The Western Union operator should be given Datagram Identification Number 3737 and the following message addressed to Frederick J. Hebdon: Petitioner's name and telephone number, date petition was mailed, plant name, and publication date and page number of this **Federal Register** notice. A copy of the petition should also be sent to the Office of the General Counsel, U.S. Nuclear Regulatory Commission, Washington, DC 20555, and to General Counsel, Tennessee Valley Authority, 400 West Summit Hill Drive, ET 11H, Knoxville, Tennessee 37902.

Nontimely filings of petitions for leave to intervene, amended petitions, supplemental petitions and/or requests for hearing will not be entertained absent a determination by the Commission, the presiding officer or the presiding Atomic Safety and Licensing Board that the petition and/or request should be granted based upon a balancing of the factors specified in 10 CFR 2.714(a)(1)(i)-(v) and 2.714(d).

The Commission hereby provides notice that this is a proceeding on an application for a license amendment falling within the scope of section 134 of the Nuclear Waste Policy Act of 1982 (NWSA), 42 U.S.C. 10154. Under section 134 of the NWSA, the Commission, at the request of any party to the proceeding must use hybrid hearing procedures with respect to "any matter which the Commission determines to be in controversy among the parties." The hybrid procedures in section 134 provide for oral argument on matters in controversy, preceded by discovery under the Commission's rules, and the designation, following argument, of only those factual issues that involve a genuine and substantial dispute, together with any remaining questions of law, to be resolved in an adjudicatory hearing. Actual adjudicatory hearings are to be held on those issues found to meet the criteria of section 134 and set for hearing after oral argument.

The Commission's rules implementing section 134 of the NWSA are found in 10 CFR part 2, subpart K, "Hybrid Hearing Procedures for Expansion of Spent Nuclear Fuel Storage Capacity at Civilian Nuclear Power Reactors" (published at 50 FR 41670, October 15, 1985) to 10 CFR 2.1101 *et seq.* Under those rules, any party to the proceeding may invoke the hybrid hearing procedures by filing with the presiding officer a written request for oral argument under 10 CFR 2.1109. To be timely, the request must be filed within 10 days of an order granting a request for hearing or petition to intervene. (As outlined above, the Commission's rules in 10 CFR part 2, subpart G, and 2.714 in particular, continue to govern the filing of requests for a hearing or petitions to intervene, as well as the admission of contentions.) The presiding officer shall grant a timely request for oral argument. The presiding officer may grant untimely request for oral argument only upon showing of good cause by the requesting party for the failure to file on time and after providing the other parties an opportunity to respond to the untimely request. If the presiding officer grants a request for oral argument, any hearing held on the application shall be

conducted in accordance with hybrid hearing procedures. In essence, those procedures limit the time available for discovery and require that an oral argument be held to determine whether any contentions must be resolved in adjudicatory hearing. If no party to the proceedings requests oral argument, or if all untimely requests for oral argument are denied, then the usual procedures in 10 CFR part 2, subpart G, apply.

For further details with respect to this action, see the application for amendment dated March 27, 1992, and revisions to this submittal dated May 11, 1992 and May 28, 1992, which are available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC 20555 and at the local public document room located at the Chattanooga-Hamilton County Library, 1101 Broad Street, Chattanooga, Tennessee 37402.

Dated at Rockville, Maryland, this 17th day of June.

For the Nuclear Regulatory Commission.

David E. LaBarge,

Senior Project Manager, Project Directorate II-4, Division of Reactor Projects-1/II, Office of Nuclear Reactor Regulation.

[FR Doc. 92-14822 Filed 6-23-92; 8:45 am]

BILLING CODE 7590-01-M

PRESIDENTIAL COMMISSION ON THE ASSIGNMENT OF WOMEN IN THE ARMED FORCES

Notice of Meeting

SUMMARY: The Presidential Commission on the Assignment of Women in the Armed Forces will hear testimony June 24 thru 27; presentations will be made by congressional members, advocacy groups, military services and civilians on policies pertaining to the Assignment of Women in the Military. Additionally, each of the Commission's four Fact Finding Panels will meet to discuss a commission poll of American attitudes about women in the Armed Forces.

DATES:

7:30 am to 10 pm/Thursday, June 25th, Fact Finding Panels Meetings (Rooms to be announced), The Omni Shoreman, 2500 Calvert St., NW., Washington, DC.
11 am to 6 pm/Thursday, June 25th, Dirksen Senate Office Building/Room 562 1st. & Constitution, NE, Washington, DC.
Friday, June 26th & Saturday, June 27th, The Omni Shoreman, 2500 Calvert St., NW. Washington, DC. The Blue Room

8 am to 6 pm (Friday) 8 am to 1 pm (Saturday)

Note: In addition, The Presidential Commission on the Assignment of Women in the Armed Forces has scheduled the following regional hearings: Chicago, July 13, 14, & 15; Los Angeles, August 6, 7, & 8; Dallas, August 27, 28, & 29.

STATUS: Open to Public.

CONTACT: For more information contact: Magee Whelan or Kevin K. Kirk, (202) 376-6905.

The Presidential Commission on the Assignment of Women in the Armed Forces was established by Congress in the National Defense Authorization Act of 1992 (Pub. L. 102-190). The 15-member commission shall assess the laws and policies governing the assignment of women in the military and shall make recommendations on such matters to the President by November 15, 1992.

W.S. Orr,
Staff Director.

[FR Doc. 92-14840 Filed 6-23-92; 8:45 am]

BILLING CODE 6820-CD-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-30830; File No. SR-Amex-91-22]

Self-Regulatory Organizations; American Stock Exchange, Inc.; Order Approving Proposed Rule Change, and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 to the Proposed Rule Change, Relating to Listing Options on the Amex Pharmaceutical Index and on a Reduced Value Pharmaceutical Index.

Dated: June 18, 1992.

I. Introduction

On September 18, 1991, the American Stock Exchange, Inc. ("Amex" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to provide for the listing and trading of index options on the Amex Pharmaceutical Index ("Pharmaceutical Index" or "Index").

The proposed rule change was published for comment in Securities Exchange Act Release No. 29840 (October 18, 1991), 56 FR 55700 (October 29, 1991). No comments were received on the proposed rule change. The Amex amended the proposed rule change on

May 4, 1992.³ This order approves the proposed rule change.

II. Description of Proposal

A. General

The Amex proposes to trade options on the Pharmaceutical Index, a new stock index developed by the Amex based on pharmaceutical industry stocks or American Depositary Receipts thereon ("ADRs") which are traded on the Amex,⁴ the New York Stock Exchange (the "NYSE"), or are national market system securities traded through the facilities of the National Association of Securities Dealers Automated Quotation system ("NASDAQ-NMS").⁵ The Amex also proposes to list long-term options on the full value Index and long-term options on a reduced-value Index that will be computed at one-tenth of the value of the Pharmaceutical Index. Long-term options based on the Index, which are known as LEAPS, will trade independent of and in addition to regular Pharmaceutical Index options traded on the Exchanges.⁶

B. Composition of the Index

The Index is a capitalization-weighted index⁷ that contains securities of the

³ The Amex submitted Amendment No. 1 to the filing on May 4, 1992. This amendment modified the Amex's proposal in three ways. First, the proposal was amended to provide that at least 90% of the Index's numerical index value must be accounted for by stocks that meet the current options listing standards. Second, the proposal was amended to provide that the Amex must submit a rule filing with the Commission pursuant to section 19(b) of the Act if the Exchange determines to increase or decrease the number of stocks in the Index to greater than 20 or less than 10. Finally, the proposal was amended to provide for the listing of long-term reduced value Index options that will be computed at one-tenth the value of the Pharmaceutical Index. Additionally, on January 13, 1992, the Exchange sent a letter to the Commission providing additional information regarding the maintenance of the Index and the Index's constituent stocks. See letter from Claire P. McGrath, Senior Counsel, Amex, to Howard L. Kramer, Assistant Director, Division of Market Regulation ("Division"), SEC, dated January 13, 1992 ("January 1992 letter"). Finally, the Exchange sent a letter to the Commission providing that the expiring Index options contracts will be settled based on the opening prices of all the Index's component securities. See letter from Claire P. McGrath, Senior Counsel, Amex, to Thomas Gira, Branch Chief, Options Regulation, Division, SEC, dated January 14, 1992.

⁴ But see note 11 *infra* and accompanying text.

⁵ Currently, the NYSE is the primary exchange for all the stocks and ADRs that comprise the Index.

⁶ LEAPS is an acronym for Long-Term Equity Anticipation Securities.

⁷ A capitalization-weighted index is one in which an issue's relative weight in the total index value is determined by its total capitalization, as determined by multiplying the issuer's price per share times the number of shares outstanding.

most highly-capitalized companies in the pharmaceutical industry whose primary business is the manufacture of prescription and non-prescription drugs, and other related health products. Currently, the Index is based on 15 stocks.⁸

The Index is composed of stocks that on December 12, 1991, ranged in capitalization from \$8 billion to \$57 billion. The average daily closing prices of the stocks over the prior six months ranged from \$131.25 to \$24.25. The median and average capitalization of the component stocks were \$22.4 billion and \$19.45 billion, respectively. Under the proposed capitalization-weighted method for calculating the Index, as of December 12, 1991, the highest weighted stock accounted for 16.48% of the Index and the lowest weighted stock accounted for 2.32% of the Index.⁹

C. Maintenance

The Amex will calculate and maintain the Index, and, pursuant to Exchange Rule 901C(b), may at any time or from time to time substitute stocks or adjust the number of stocks included in the Index, based on changing conditions in the pharmaceutical industry. If, however, the Exchange determines to increase the number of Index component stocks to greater than 20 or reduce the number of component stocks to fewer than 10, the proposal provides that the Amex will submit a rule filing with the Commission pursuant to section 19(b) of the Act.¹⁰ In selecting securities to be included in the Index, the Exchange will be guided by a number of factors including the market value of outstanding shares and trading activity. The eligibility standards for the stocks in the Index are described in section D below.

⁸ The Exchange has determined that there are presently fifteen component stocks appropriate for inclusion in the Pharmaceutical Index. It is the Exchange's current intention to maintain the number of component stocks at approximately fifteen, unless, due to consolidation, merger, bankruptcy or other factors, the number of available pharmaceutical company stocks which meet the eligibility criteria for inclusion in the Index is less than that amount. See January 1992 Letter, *supra* note 3.

⁹ The five highest weighted stocks, with their respective weightings, in the Index on December 12, 1991, were: (1) Merck and Company Inc. (16.48%); (2) Glaxo Holdings PLC ADS (12.77%); (3) Bristol Myers Squibb Company (11.74%); (4) Johnson and Johnson (9.96%); and (5) Abbot Laboratories (7.26%). The five lowest weighted stocks, with their respective weightings, in the Index on December 12, 1991, were: (1) Upjohn Company (2.03%); (2) Rhone Poulenc Rorer Inc. (2.32%); (3) Syntex Corporation (2.66%); (4) Warner Lambert Company (2.69%); and (5) Marion Merrell Dow Inc. (2.80%).

¹⁰ See Amendment No. 1, *supra* note 3.

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1991).

D. Eligibility Standards for the Inclusion of Stocks in the Index

Exchange Rule 901C specifies criteria for the inclusion of stocks in an index on which options will be traded on the Exchange. Specifically, Rule 901C states that an index must have a minimum of five stocks, and any index with less than 25 component stocks may not include stocks traded on the Amex.¹¹ In addition, in the case of an index of less than 25 stocks, Rule 901C dictates that at least 50% of the index group's numerical index value must be accounted for by stocks which meet the criteria of Exchange Rule 915, which establishes standards that stocks must meet to be eligible for options trading on the Exchange.

In choosing among pharmaceutical industry stocks that meet the minimum criteria set forth in Rule 901C, the Exchange will focus only on stocks that are traded on either the NYSE, Amex (subject to the limitations of Rule 901C)¹² or through the facilities of the NASDAQ/NMS System. The proposal also amends Rule 901C to require that at least 90% of the Index's numerical value be accounted for by stocks that meet the Exchange's options listing standards set forth in Exchange Rule 915.¹³ Currently, all of the Index's component stocks are the subject of standardized options trading.

In addition, in choosing among pharmaceutical stocks that meet the minimum criteria set forth in Rule 901C, the Exchange will focus on stocks that have an average monthly trading volume of not less than 1,000,000 shares (or ADRs) in the U.S. market over the previous six month period. The Exchange also intends to focus on stocks that have a minimum market value (in U.S. dollars) of at least \$500 million.¹⁴ Although the stocks currently

selected for inclusion in the Index meet or surpass these trading volume and marketplace criteria, the Exchange intends these additional criteria to be used as guidelines only and reserves the right to include stocks in the Index that may not meet these guidelines but, nevertheless, meet the minimum requirements set forth in Amex Rule 901C.

The Amex proposal provides that the component stocks of the Index will be monitored on a daily basis for corporate actions, such as, for example, stock splits, stock dividends or rights offerings, that may require a divisor adjustment to maintain continuity of the Index's value. In addition, pursuant to Amex Rule 901C, the Exchange will have the discretion to add, delete or substitute one or more stocks in the Index as it deems necessary or appropriate to maintain the quality and/or character of the Index. For instance, the Exchange may delete components from the Index as a result of a merger, consolidation, dissolution, bankruptcy or liquidation of an issuer of a component stock or a failure of a component to continue to meet the additional criteria for inclusion in the Index noted above. The Amex indicates that an adjustment to the Index will be made at the time any situation requiring an adjustment occurs.¹⁵

E. Index Calculation

Similar to other stock index values published by the Exchange, the value of the Index will be calculated continuously and disseminated on a real-time basis to market information vendors via the Options Price Reporting Authority. The Index value for purposes of settling outstanding Index option contracts upon expiration will be calculated based upon the regular way opening sale prices for each of the Index's component stocks in their primary market on the last day prior to expiration. In the case of securities traded through the NASDAQ-NMS system, the first reported sale price will be used. Once all of the component stocks have been opened, the value of the Index will be determined and that value will be used as the settlement value for the options. If any of the component stocks do not open for trading on the last trading day before expiration, then the prior day's last sale price will be used in the calculation. In this regard, before deciding to use

Thursday's closing value of a component stock for the purpose of determining the settlement value of the Index, the Amex would wait until the end of the trading day Friday.¹⁶

F. Contract Specifications

The proposed options on the Index will be cashed-settled, European-style options.¹⁷ Standard options trading hours (9:30 a.m. to 4:10 p.m. New York time) will apply to the contracts. Under Amex Rule 903C, the Exchange intends to list up to three near-term calendar months and two additional calendar months in three month intervals in the January cycle. The Exchange also intends to list long-term options series, having up to thirty-six months to expiration, on either the full value Pharmaceutical Index or on a reduced value Pharmaceutical Index. In addition, the proposal provides that intervals between expiration months for both full value and reduced value long-term options will not be less than six months (*i.e.*, during any given year there will only be two long-term options listed). Strike price interval, bid/ask differential and continuity rules will not apply to the trading of Pharmaceutical LEAPS until their time to expiration is less than 12 months.¹⁸

The options on the Index will expire on the Saturday following the third Friday of the expiration month ("Expiration Friday"). Accordingly, since options on the Index will settle based upon opening prices of the component stocks on the last trading day before expiration (normally a Friday), the last trading day for an expiring Index option series will normally be the second to last business day before expiration (normally a Thursday).

G. Listing of Options on a Reduced Value Pharmaceutical Index

The proposal provides that the Exchange may list long-term Index options that expire from 12 to 36 months from listing on a reduced value Pharmaceutical Index that will be computed at one-tenth the value of the Index. The Index value for reduced value Pharmaceutical LEAPS will be computed by dividing the Index by ten.

¹⁶ For the purpose of daily dissemination of the Index value, if a stock included in the Index has not opened, the Amex will utilize the prior day's closing value of that stock when calculating the value of the Index until the trading of the stock opens.

¹⁷ A European-style option only can be exercised during a specified period before the option expires.

¹⁸ See Securities Exchange Act Release No. 25041 (October 16, 1987), 52 FR 40008 (October 26, 1987) (order approving SR-Amex-87-22).

¹¹ Accordingly, the Pharmaceutical Index as currently constituted does not include Amex-traded stocks. The Amex, however, has submitted a proposal, that, among other things, revises Amex Rule 901C to remove the limitation on the number of Amex stocks that can be included in an index which underlies a stock index option traded on the Exchange. Specifically, the proposal would allow, among other things, Amex-listed stocks to be included in Amex-traded index options that are comprised of less than 25 stocks. See Securities Exchange Act Release No. 30356 (February 10, 1992), 57 FR 5497.

¹² See note 11, *supra*.

¹³ As mentioned above, Amex Rule 901C currently requires that only 50% of the stocks in an index consisting of less than 25 stocks be eligible for options trading.

¹⁴ For ADRs, the proposal provides that the ADR price and total worldwide shares outstanding, on an ADR-equivalent basis, will be used for purposes of determining trading volume and market value.

¹⁵ Nevertheless, the Amex must submit a rule filing with the Commission pursuant to section 19(b) of the Act if the Exchange determines to increase or decrease the number of stocks in the Index to greater than 20 or less than 10.

carrying out the value two digits beyond the decimal point, and rounding the second digit up if the third digit is five or greater. For example, if the full value of the Index is 216.86, the reduced value of the Index will be 21.69. The reduced value Index LEAPS will have a European-style exercise and will be subject to the same rules that govern the trading of all the Exchange's index options, including sales practice rules, margin requirements and floor trading procedures. The interval between strike prices for the reduced value Index LEAPS will be no less than \$2.50 instead of \$5.00.

H. Position and Exercise Limits, Margin Requirements, and Trading Halts.

Because the Index is a Stock Index Option, under Amex Rule 901C(a) and a Stock Index Industry Group under Rule 900C(b)(1), the proposal provides that Exchange rules that are applicable to the trading of narrow-based index options will apply to the trading of options on the Index. Specifically, Exchange rules governing margin requirements,¹⁹ position and exercise limits,²⁰ and trading halt procedures²¹ that are applicable to the trading of narrow-based index options will apply to options traded on the Index. The proposal further provides that for the purpose of determining whether a given position in full value and/or reduced Index options complies with applicable position and exercise limits, positions in reduced value Pharmaceutical LEAPS will be aggregated with positions in full value Index options. Specifically, under the proposal, ten reduced value contracts will equal one full value contract for the purpose of aggregating these positions.

I. Surveillance.

Surveillance procedures currently used to monitor trading in each of the

Exchange's other index options will also be used to monitor trading in options on the Index and the reduced value Index. These procedures include complete access to trading activity in the underlying securities. Further, the Intermarket Surveillance Group Agreement ("ISG Agreement"), dated July 14, 1983, as amended on January 29, 1990, will be applicable to the trading of options based on the Index.

III. Findings and Conclusions

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of section 6(b)(5).²² Specifically, the Commission finds that the trading of Pharmaceutical Index options, including full value Pharmaceutical LEAPS, and reduced value Pharmaceutical LEAPS, will serve to protect investors, promote the public interest, and help to remove impediments to a free and open securities market by providing investors with a means to hedge exposure to market risk associated with securities in the pharmaceutical industry. Moreover, the Commission believes that the trading of options based on the Index will allow investors holding positions in some or all of the underlying securities in the Index to hedge the risks associated with their portfolios more efficiently and effectively. The trading of options on the Pharmaceutical Index and a reduced value Index, however, raises several concerns, namely issues related to index design, customer protection, surveillance, and market impact. The Commission believes, for the reasons discussed below, that the Amex adequately has addressed these concerns.

A. Index Design and Structure

The Commission finds that the Index is narrow-based because it is only comprised of fifteen stocks, all of which are within the pharmaceutical industry. Accordingly, the Commission believes it is appropriate for the Amex to apply its rules governing narrow-based index options to trading in the Index options.²³ Moreover, the Amex has developed several composition and maintenance criteria for the Index that the Commission believes will minimize the potential for manipulation of the Index. First, the Amex proposal requires that 90% of the weighting of the Index be

comprised of stocks that are eligible for standardized options trading.²⁴ In this regard, as noted above, all of the Index's component stocks currently are the subject of standardized options trading. Second, in selecting stocks for inclusion in the Index the Amex intends to focus on stocks that have a minimum market value of at least \$500 million. In this connection, all of the Index's component stocks currently meet or surpass this additional criterion. Third, although the Index is only comprised of fifteen stocks, no particular stock dominates the Index. For example, the three most highly weighted stocks in the Index account for 40.99% of the Index's value. Fourth, the proposal provides that the Amex will focus on stocks with an average monthly trading volume of not less than 1,000,000 shares over the previous six months for inclusion in the Index.²⁵ In fact, as of December 12, 1991, the average and median daily trading volume figures for the 15 component stocks of the Index were 629,000 shares and 510,000 shares, respectively. The Commission believes that these requirements will ensure that the Index will be almost entirely made up of stocks with large public floats that are actively traded, thus reducing the likelihood that the Index could be manipulated by abusive trading in the smaller stocks contained in the Index. Finally, because the Index is narrow-based, the applicable position and exercise limits and margin requirements will further serve to reduce the susceptibility of the Index to manipulation.

B. Customer Protection

The Commission believes that a regulatory system designed to protect public customers must be in place before the trading of sophisticated financial instruments, such as Pharmaceutical Index options and reduced value Pharmaceutical LEAPS, can commence on a national securities exchange. The Commission notes that the trading of standardized exchange-traded options occurs in an environment that is designed to ensure, among other things, that: (1) The special risks of

¹⁹ Pursuant to Amex Rule 462(d)(2)(D)(iv), the margin requirements for the Index options will be: (1) For each short options position, 100% of the current market value of the options contract plus 20% of the underlying aggregate index value, less any out-of-the-money amount, with a minimum requirement of the options premium plus 10% of the underlying index value; and (2) for long options positions, 100% of the options premium paid.

²⁰ Pursuant to Amex Rules 904C and 905C, respectively, the position and exercise limits for the Index options will be 6,000 contracts, unless the Exchange determines, pursuant to Rules 904C and 905C, that a lower limit is warranted. Because reduced-value Index LEAPS will be 1/10th of the size of full value Index options, the position limit for these contracts will be 60,000 contracts.

²¹ Pursuant to Amex Rule 918C, the trading of Index options on the Amex will be halted or suspended whenever trading in underlying securities whose weighted value represents more than 10% of the Index value are halted or suspended.

²² 15 U.S.C. 78f(b)(5) (1988).

²³ See *supra* notes 19-21 and accompanying text.

²⁴ The options listing standards contain quality of market standards (*i.e.*, price and trading volume requirements) and quality of issuer standards (*i.e.*, minimum float and compliance with applicable provisions of the Act). These standards are imposed to ensure that stocks underlying options are widely-held and have sufficient trading volume and float so as not to be readily susceptible to manipulation.

²⁵ This trading volume requirement is considerably higher than the trading volume requirement contained in the options listing standards of 2,400,000 shares over a 12 month period. See January 1992 Letter, *supra* note 3.

options are disclosed to public customers; (2) only investors capable of evaluating and bearing the risks of options trading are engaged in such trading; and (3) special compliance procedures are applicable to options accounts. Accordingly, because the Index options and reduced value Pharmaceutical LEAPS will be subject to the same regulatory regime as the other standardized options currently traded on the Amex, the Commission believes that adequate safeguards are in place to ensure the protection of investors in Pharmaceutical Index options and reduced value Pharmaceutical LEAPS.

C. Surveillance

The Commission believes that a surveillance sharing agreement between an exchange proposing to list a stock index derivative product and the exchange(s) trading the stocks underlying the derivative product is an important measure for surveillance of the derivative and underlying securities markets. Such agreements ensure the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the stock index product less readily susceptible to manipulation. In this regard, the primary market for all of the Index's constituent stocks, the NYSE,²⁶ is a member of the Intermarket Surveillance Group ("ISG"), which provides for the exchange of all necessary surveillance information concerning Amex-traded options based on the Index. In addition, should the Index contain stocks traded through the facilities of the NASDAQ/NMS system, the ISG Agreement would also provide for the necessary exchange of all relevant surveillance information concerning Amex-traded options based on the Index.²⁷

²⁶ Two of the component stocks in the Index are NYSE-traded ADRs and the home country exchange for each of these stocks is the London Stock Exchange ("LSE") which has a surveillance sharing agreement with the Amex. See Agreement between the LSE and the Amex, dated July 1, 1991. If the Amex were to change the composition of the Index so that greater than 20% of the Index was represented by ADRs whose underlying securities were not subject to an effective surveillance sharing arrangement with the Amex, then it would be difficult for the Commission to reach the conclusions reached in this order and the Commission would have to determine whether it would be suitable to continue to trade options on the Index.

²⁷ ISG was formed on July 14, 1983 to, among other things, coordinate more effectively surveillance and investigative information sharing arrangements in the stock and options markets. See ISG Agreement, July 14, 1983. The most recent amendment to the ISG Agreement, which incorporates the original agreement and all amendments made thereafter, was signed by ISG members on January 29, 1990. See Second Amendment to the ISG Agreement, January 29, 1990.

D. Market Impact

The Commission believes that the listing and trading of Pharmaceutical Index options and reduced value Pharmaceutical LEAPS on the Amex will not adversely impact the underlying securities markets. First, as described above, no one stock or group of stocks dominates the Index. Second, because 90% of the value of the Index must be accounted for by stocks that meet the options listing standards, the component securities generally will be actively-traded, highly-capitalized stocks. Third, existing Amex stock Index options rules and surveillance procedures will apply to the Index options and reduced value Pharmaceutical LEAPS. Fourth, the 8,000 contract position and exercise limits will serve to minimize potential manipulation and other market impact concerns. Fifth, positions in reduced value Pharmaceutical LEAPS will be aggregated with positions in options on the full value Index for position and exercise limit purposes. Sixth, the risk to investors of contra-party non-performance will be minimized because the Index options and reduced value Pharmaceutical LEAPS will be issued and guaranteed by the Options Clearing Corporation just like any other standardized option traded on a national securities exchange in the United States.

Lastly, the Commission believes that settling expiring Pharmaceutical Index options and the reduced value Pharmaceutical LEAPS based on the opening prices of component securities is reasonable and consistent with the Act because it may contribute to the orderly unwinding of Index options positions and positions in reduced-value Pharmaceutical LEAPS upon expiration as well as other benefits. In addition, as noted above, the Index only is comprised of 15 stocks from one industry sector. Accordingly, it appears less likely that any increased trading volume or volatility in the underlying stocks or the Index options associated with expiring Index options or reduced value Pharmaceutical LEAPS could spill over to the market as a whole. Moreover, because futures on narrow-based options are prohibited pursuant to the 1982 Jurisdictional Accord reached between the SEC and the Commodity Futures Trading Commission, it also appears unlikely that the level or volatility of intermarket trading associated with the Index options and reduced value Pharmaceutical LEAPS

will have an adverse impact on the market.²⁸

The Commission finds good cause for approving Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the *Federal Register*. First, Amendment No. 1 requires that at least 90% of the Index's numerical index value be accounted for by stocks that meet the options listing standards. The Commission believes that this modification strengthens the integrity of the Index and does not raise new issues.²⁹ Moreover, the Commission finds that this modification to the proposal is designed to reduce the likelihood that the Index could be susceptible to manipulation. Second, Amendment No. 1 permits the Amex to list full value or reduced value Pharmaceutical LEAPS. The Commission notes that Pharmaceutical LEAPS are substantially similar to reduced-value LEAPS on the Standard & Poor's 100 and 500 Indexes that trade on the Chicago Board Options Exchange ("CBOE") and reduced-value long-term options on the Major Market Index that trade on the Amex.³⁰ The proposals for these products were subject to the full notice and comment period and the Commission did not receive any comments on them. Accordingly, the Commission does not find any different regulatory issues arising out of the current Amex proposal. Third, Amendment No. 1 requires the Exchange to submit a rule filing with the Commission pursuant to section 19(b) of the Act if the Exchange proposes to modify the number of stocks in the Index to greater than 20 or less than 10. The Commission believes that this proposal does not raise any new regulatory issues and it is designed to ensure that the composition of the Index will not change significantly without public comment and Commission review. Therefore, the Commission believes it is consistent with section 6(b)(5) of the Act to approve Amendment No. 1 to the Amex's proposal on an accelerated basis.

²⁸ See Futures Trading Act of 1982 section 101, Pub. L. 97-444, 96 Stat. 2294 (codified at 7 U.S.C. 2(a)).

²⁹ In addition, as noted above, existing Amex rules currently require that at least 50% of the weighting of an index be accounted for by stocks that meet the options listing standards.

³⁰ See Securities Exchange Act Release Nos. 28686 (December 10, 1990), 55 FR 51517 (order approving SR-CBOE-90-30), 25041 (October 16, 1987), 52 FR 40008 (order approving SR-Amex-87-22), and 28813 (November 14, 1990), 55 FR 48307 (order approving SR-Amex-90-14).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1 to the proposed rule change. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street NW., Washington, DC. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by July 15, 1992.

It is therefore ordered, Pursuant to section 19(b)(2) of the Act,³¹ that the proposed rule change (SR-Amex-91-22) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³²

Margaret H. McFarland,
Deputy Secretary.

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[Release No. 34-30813; File No. SR-DTC-92-02]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of Proposed Rule Change Relating to the Development of an Interface With the National Securities Clearing Corporation's Networking Service for Mutual Fund Transactions

June 15, 1992.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on March 2, 1992, The Depository Trust Company ("DTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. The Commission is

publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change would allow DTC to provide to its members through DTC's Participant Terminal System the Networking service for mutual fund transactions provided by the National Securities Clearing Corporation ("NSCC").

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DTC included statements concerning the purpose of and basis for the proposed rule change, and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. DTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) The proposed rule change would create an interface that would give DTC Participants full access to NSCC's Networking service and its participating mutual funds. Networking would enable participating mutual fund and Networking users, including broker-dealers and banks, to exchange electronically, in a standardized format, non-trade account data such as subaccount information, closing position balances, and dividend processing records.

(b) The proposed rule change is consistent with Section 17A of the Act and the rules and regulations thereunder applicable to DTC since the proposed rule change will promote the prompt and accurate reporting and processing of transactions in mutual fund securities.

B. Self-Regulatory Organization's Statement on Burden on Competition

DTC does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

DTC included the proposed rule change in its Program Agenda paper and received comments from Participants. The comments from Participants that were not already direct NSCC Networking users were favorable.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reason for so finding, or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of DTC. All submissions should refer to File No. SR-DTC-92-02 and should be submitted by July 15, 1992.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Margaret H. McFarland,
Deputy Secretary.

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³¹ 15 U.S.C. 78s(b) (1988).

³² 17 CFR 200.30-3(a)(12) (1990).